

**Plymouth Hospitals NHS Trust**

**Annual Accounts for the year ended 31 March 2010**

## **DIRECTORS' STATEMENTS**

### **Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust**

The Chief Executive of the NHS has directed that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers' Memorandum issued by the Department of Health. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assets and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the Trust;
- the expenditure and income of the Trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an accountable officer.

8<sup>th</sup> June 2010

Paul Roberts, Chief Executive

### **Statement of directors' responsibilities in respect of the accounts**

The directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure, recognised gains and losses and cash flows for the year. In preparing those accounts, directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury;
- make judgements and estimates which are reasonable and prudent;

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- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that to the best of their knowledge and belief they have complied with the above requirements in preparing the accounts.

By order of the Board

8<sup>th</sup> June 2010

Paul Roberts, Chief Executive

8<sup>th</sup> June 2010

Joe Teape, Director of Finance

## **STATEMENT OF DIRECTORS' RESPONSIBILITY IN RESPECT OF INTERNAL CONTROL**

### **1. Scope of responsibility**

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

As Accountable Officer I have in place processes in which I work with partner organisations including Primary Care Trusts, the Strategic Health Authority, the Local Authority, the Patient Forum, the Department of Health and other Acute and Mental Health Trusts. Examples of these are:

- Monthly SHA meetings,
- Regular PCT meetings,
- Trust attendance at the Local Authority Overview and Scrutiny Committee,
- Devon Community Care Meetings,
- Devon and Cornwall Chief Executives meetings.

### **2. The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in Plymouth Hospitals NHS Trust for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.

### **3. Capacity to handle risk**

The Risk Management Framework sets out the key responsibilities for the management of risk throughout the organisation. As Accountable Officer for risk management I have delegated Executive responsibility for the risk management process to the Medical Director and for the risk assurance process to the Deputy Chief Executive, until the 6<sup>th</sup> January, and then Interim Finance Director for the remainder of the year. The Risk Assurance Committee provides oversight of the risk management and risk assurance process.

All operational areas are responsible for the management of risks to the achievement of their objectives and those of the Trust. Risk management is applied to all aspects

of the Trust business including clinical, operational, safety (patient and public), environmental and workforce risks.

Staff are trained and equipped to manage risk in a manner appropriate to their authority and duties. All staff are required to undergo statutory and essential update training, which covers risk management and health and safety training. This training is also provided as part of induction for all new staff, both permanent and temporary, in order to minimise the risks associated with this initial period of employment.

The Trust recognises the need to ensure that there is a highly skilled and well-educated workforce, who have the capacity and capability to cope within complex interrelating socio-technical circumstances. In order to meet these particular needs, statutory and individual training programmes are provided across a range of specialist areas. These include:

- Risk awareness
- Risk assessment
- Incident reporting
- Root cause analysis
- Infection control
- DSE and manual handling
- Conflict management

Incident reporting and investigation is a key requirement of NHS governance and plays a major role in identifying risks and areas for service improvement. In excess of 8,000 incidents (both clinical and non-clinical) have been recorded and analysed. There is a fast-track reporting process for serious incidents for immediate action. The Trust has a positive non-punitive approach, except in stated circumstances such as malicious or criminal actions or gross misconduct, encouraging the reporting of all incidents. This approach has led to a much higher level of reporting of incidents than in many Trusts and is to be encouraged, as it is only through knowledge of types, frequency and causes of incidents that management teams can identify risk and improve levels of control. The Trust actively learns from incidents and revises systems and processes accordingly.

#### **4. The risk and control framework**

The Trust has a comprehensive Risk Management Framework, approved by the Trust Board. The Risk Management Framework is published widely and is held on public folders. The strategy includes:

- the aims and objectives for risk management in the Trust
- the relationship and responsibilities of the relevant committees
- the role of the key individuals with responsibility for advising on and co-ordinating risk management activities
- a description of the process that the organisation employs in reviewing risk management arrangements and in gaining assurance on risk management
- guidance on what is acceptable risk to the organisation.

The Risk Management Framework includes a description of the overall risk management process and requires that all risks are assessed and recorded, when identified, in a standard format risk register and prioritised using a standard scoring methodology. Directorates are required to maintain systems and processes that enable them to operate within the Risk Management Framework.

Risks are recorded by the risk assessor on a web-based electronic risk register. The web-based system requires all risks to be approved by the identifier's line manager and an action plan to be developed describing how that risk will be managed. Risks and action plans are reviewed at Directorate level to ensure progress.

In order to strengthen and provide clarity around what level of the organisation risks should be managed the Trust Board agreed a risk appetite statement during 2008/09. Falling out of this statement the Trust cascaded this down the organisation via the risk tolerance matrix. This clearly sets out what types of risk need to be managed at an operational level and those that need to be escalated up through the organisation. During 2009/10 this cascade of the risk tolerance has been completed further embedding the risk management process across all areas and levels of the Trust.

Any major risk with an intrinsic impact score of 5 is added to the Assurance Framework and is visible at a Trust Board level with risks scoring an impact of 4 being visible at an Executive Director level and so on down through the organisation. Actions to mitigate these risks are monitored at the relevant level of the Trust. The Trust Board focuses on obtaining assurance that controls are operating as they are designed.

The tolerance matrix aids the identification and evaluation of risks by breaking down risk areas into:

- Safety
- Quality
- Finance
- Staff
- Service Delivery/Business Management
- Environment

In order to provide more transparency to the Trust Board all risks scoring an impact of 5 are assessed against all 6 areas noted above to support decision making processes around the management of individual risks.

Through a wide range of communication forums, stakeholders and users of services are encouraged to share their views of services delivery and any risks they perceive. Risks identified in partnership with stakeholders or the public are also inputted onto the risk register. An example of a risk that the Trust is managing in partnership with stakeholders is delayed transfers of care. This risk impacts not only the Trust but also Primary Care Trust and Social Services. Actions to mitigate this risk are being taken forward by all three organisations with the Primary Care Trust acting as co-ordinating partner.

On behalf of the Board, and through the Audit Committee, the Risk Assurance Committee is charged with reviewing the risk management policy and processes across the Trust. The Terms of Reference of the Risk Assurance Committee have been revised this financial year with it having three main areas of responsibility:

- Ensuring that adequate policy and procedures are in place for the management of risk
- Reviewing risk scoring to ensure a consistent approach is taken to scoring risks across the Trust
- Performance managing Directorates and corporate departments with regard to risk management.

There have been no reports of Serious Untoward Incidents Involving Patient Data reported to the Information Commissioner.

The Trust has an Assurance Framework document that:

- Covers all of the organisation's main activities
- Identifies the objectives of the Trust
- Identifies the risks that breach the Trust's risk appetite
- Identifies the controls in place to manage the risks identified
- Identifies sources of assurance received by the Trust in relation to the controls in place to mitigate the risks
- Identifies and monitors the further actions required to manage the risk down to an acceptable level within the Trust Board's risk appetite.

During the year the Trust has further developed its Assurance Framework throughout the Trust. Experience from previous years demonstrated that poor performance was always preceded by recognised gaps in control and/or assurance. The Trust has integrated the Assurance Framework and performance management report to incorporate a real-time analysis of risk, control and assurance that has a dynamic relationship with performance reporting. The Trust has built on this foundation during 2009/10 by incorporating the Care Quality Commission regulatory areas into the Assurance Framework thus providing the Trust Board with a complete picture of objective achievement and regulatory status in one document.

As an employer with staff entitled to membership of the NHS Pension scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments in to the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations. There continue to be issues with the interface with the Pensions Agency. I am aware that there is a regional group to raise issues in relation to pensions and payroll. This group actively feeds back current issues in relation to ESR implementation and continued process improvements. Whilst there are issues these do not represent a breach in any of the statutory duties mentioned. My payroll department and the Pensions Agency are actively monitoring all aspects of the Pension Scheme ensuring that the accuracy of records is maintained.

The Trust has undertaken risk assessments and Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements, as based on UKCIP 2009 weather projects, to ensure that this organisation's obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

The Trust is not fully compliant with the core standards for better health for the full year 2009/10. The Trust can report that for all core standards not fully met for the full year, action plans have been delivered and as from the 1<sup>st</sup> November 2009 the Trust was fully compliant with all core standards. The Care Quality Commission has taken the decision not to use the mid-year core standards for better health declaration in their annual assessment of the Trust but have instead used the Trust's registration against the Health and Social Act 2008. The Trust is pleased to report that it was registered without conditions, but has notified the Care Quality Commission of some breaches of standard at Liskeard Hospital. Action plans agreed with NHS Cornwall, which owns this site, have been agreed and shared with the regulator.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with. These controls include an equality impact assessment on all policy developments, a Trust Board front sheet highlighting equality impact assessment on all Board papers, as well as regular provision of equality, diversity and human rights act training sessions.

## **5. Review of effectiveness**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by a range of other sources, both internal and external to the Trust. These include:

- the operation of a performance monitoring, management and assurance function independent of the clinical and operational departments within the Trust,
- External Auditors,
- The evidence produced in support of the registration against the Health and Social Act 2008,
- The evidence produced in support of the mid-year Standards for Better Health declaration and reviewed by the Executive Director Lead and Assurance and Governance Manager,
- Internal Audit opinion on key processes, particularly including the operation of the Assurance Framework and the management processes around the



Standards for Better Health declaration and Care Quality Commission registration against the Health and Social Care Act,

- Our SHA and Primary Care Trusts in their monitoring of the delivery of standards,
- Clinical governance reviews,
- Care Quality Commission, both reviews and the Annual Healthcheck process,
- NHS Litigation Authority,
- Patient Environment Action Team
- Patient and staff reviews and surveys,
- Health and Safety Executive
- Accreditation, examples including Laboratory Services, SDU and Pharmacy,
- Work of the sub-committees of the Trust Board,

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by:

- the Board – reviews the Assurance Framework on a monthly basis and receives reports/papers on the key risk areas highlighted therein and ensures that these are being effectively managed,
- the Audit Committee – reviews the establishment and maintenance of an effective system of internal control. It also reviews the systems in place within the Trust to ensure, monitor and improve the quality and safety of healthcare provided for or delivered to its patients, visitors and staff. As such, it is able to advise the Trust Board accordingly,
- Executive Directors – have responsibility for the development and maintenance of the system of internal control and provide me with assurance through one to one meetings and as part of the Executive Board meetings.
- Assurance Framework/Performance Report – provides evidence on the effectiveness of controls that manage the risks to the organisation achieving its objectives and the outcomes of the systems of internal control.
- Internal Audit – in addition to the Head of Internal Audit opinion reviews areas highlighted on the Assurance Framework as high risk and comments on the design and operation of the systems of control in place to manage these risks.
- External Audit – undertakes reviews, including ‘Auditors Local Evaluation’ which gives an opinion on the systems of internal control surrounding use of resources.

Plans to address weaknesses and ensure continuous improvement of the systems are in place.

The Trust reported full year compliance with all but two core standards; C2 child protection and C9 records management. Actions to address issues have been implemented ensuring that both these standards were compliant on or before the 1<sup>st</sup> November 2009.

My review confirms that Plymouth Hospitals NHS Trust has, in general, a sound system of internal control that supports the achievement of its policies, aims and objectives.

**6. Conclusion**

The 2009/10 financial year has seen further improvements in the Trust's systems of internal control that have been reflected in the Head of Internal Audit Opinion. This Statement of Internal Control clearly describes the Trust's ongoing commitment to developing further the control environment culture in the Trust, and describes the key actions that will be taken in 2010/11 to deliver that commitment.

Signed (on behalf of the Board)

Paul Roberts Chief Executive  
8<sup>th</sup> June 2010

## **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF THE BOARD OF PLYMOUTH HOSPITALS NHS TRUST**

### **Opinion on the financial statements**

I have audited the financial statements of Plymouth Hospitals NHS Trust for the year ended 31 March 2010 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service set out within them.

I have also audited the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Board of Directors of Plymouth Hospitals NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008

### **Respective responsibilities of Directors and auditor**

The directors' responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland.)

I report to you my opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. I report whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. I also report to you whether, in my opinion, the information which comprises the commentary on the financial performance included within the Operating and Financial Review, included in the Annual Report, is consistent with the financial statements.

I review whether the directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in "Guidance on Completing the Statement on Internal Control 2009/10" issued in February 2010. I report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the directors' Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Forward including the message from the Chairman, the unaudited part of the Remuneration Report, and the remaining elements of the Operating and Financial Review. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the

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directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that

- the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error; and
- the financial statement and the part of the Remuneration Report to be audited have been properly prepared.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### **Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2010 and of its income and expenditure for the year then ended
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England; and
- information which comprises the commentary on the financial performance included within the Operating and Financial Review, included within the Annual Report, is consistent with the financial statements.

### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Directors' Responsibilities**

The directors are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Trust's use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

#### **Auditor's Responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Trust for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. I report if significant matters have come to my attention which prevent me from concluding that the Trust has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### **Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regards to the criteria for NHS bodies specified by the Audit Commission and published in December 2006 I am satisfied that, in all significant respects, Plymouth Hospitals NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

#### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

#### **Lee Budge**

District Auditor, Audit Commission, 3-6 Blenheim Court, Lustleigh Close, Matford Business Park, EXETER. EX2 8PW June 2010

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED  
31 March 2010**

	NOTE	2009/10 £000	2008/09 £000
<b>Revenue</b>			
Revenue from patient care activities	4	327,049	329,315
Other operating revenue	5	49,941	43,553
Operating expenses	7	(369,556)	(359,953)
<b>Operating surplus</b>		<b>7,434</b>	<b>12,915</b>
<b>Finance costs:</b>			
Investment revenue	13	31	460
Other gains and (losses)	14	(103)	(27)
Finance costs	15	(221)	(240)
<b>Surplus for the financial year</b>		<b>7,141</b>	<b>13,108</b>
Public dividend capital dividends payable		(7,406)	(8,776)
<b>Retained surplus/(deficit) for the year</b>		<b>(265)</b>	<b>4,332</b>
<b>Other comprehensive income</b>			
Impairments and reversals		(14,038)	(12,395)
Gains on revaluations		641	8,392
Receipt of donated assets		123	38
Reclassification adjustments:			
- Transfers from donated reserve		(459)	(574)
<b>Total comprehensive income for the year</b>		<b>(13,998)</b>	<b>(207)</b>

The notes on pages 16 to 47 form part of these accounts.

**STATEMENT OF FINANCIAL POSITION AS AT  
31 March 2010**

	NOTE	31 March 2010 £000	31 March 2009 £000	1 April 2008 £000
<b>Non-current assets</b>				
Property, plant and equipment	16	220,470	238,957	224,804
Trade and other receivables	19	2,247	2,665	1,900
<b>Total non-current assets</b>		<b>222,717</b>	<b>241,622</b>	<b>226,704</b>
<b>Current assets</b>				
Inventories	18	8,093	7,511	7,553
Trade and other receivables	19	15,532	20,327	21,388
Cash and cash equivalents	20	4,282	4,501	6,137
<b>Total current assets</b>		<b>27,907</b>	<b>32,339</b>	<b>35,078</b>
<b>Total assets</b>		<b>250,624</b>	<b>273,961</b>	<b>261,782</b>
<b>Current liabilities</b>				
Trade and other payables	21	(33,702)	(34,902)	(33,552)
DH Working capital loan		0	0	(4,207)
DH Capital loan	22	(700)	(700)	0
Borrowings	22	(490)	(441)	(415)
Provisions	24	(380)	(298)	(501)
<b>Net current assets/(liabilities)</b>		<b>(7,365)</b>	<b>(4,002)</b>	<b>(3,597)</b>
<b>Total assets less current liabilities</b>		<b>215,352</b>	<b>237,620</b>	<b>223,107</b>
<b>Non-current liabilities</b>				
Borrowings	22	0	(444)	(885)
DH Capital loan	22	(5,600)	(6,300)	0
Provisions	24	(1,319)	(1,296)	(1,171)
<b>Total assets employed</b>		<b>208,433</b>	<b>229,580</b>	<b>221,051</b>
<b>Financed by taxpayers' equity:</b>				
Public dividend capital		168,752	175,896	167,160
Retained earnings		15,602	14,720	8,574
Revaluation reserve		21,082	34,525	40,483
Donated asset reserve		2,345	3,717	4,112
Other reserves		652	722	722
<b>Total Taxpayers' Equity</b>		<b>208,433</b>	<b>229,580</b>	<b>221,051</b>

The financial statements on pages 12 to 47 were approved by the Board on 8th June 2010 and signed on its behalf by:

Signed: .....(Chief Executive)

Date: .....

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**

	Public dividend capital (PDC) £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Other reserves £000	Total £000
<b>Balance at 31 March 2008</b>						
As previously stated	167,160	(1,359)	50,416	4,112	722	221,051
Prior Period Adjustment	0	9,933	(9,933)	0	0	0
<b>Restated balance</b>	167,160	8,574	40,483	4,112	722	221,051
<b>Changes in taxpayers' equity for 2008/09</b>						
Total Comprehensive Income for the year:						
Retained surplus for the year	0	4,332	0	0	0	4,332
Transfers between reserves	0	1,814	(1,814)	0	0	0
Impairments and reversals	0	0	(12,395)	0	0	(12,395)
Net gain on revaluation of property, plant, equipment	0	0	8,251	141	0	8,392
Receipt of donated assets	0	0	0	38	0	38
Reclassification adjustments:						
- transfers from donated asset reserve	0	0	0	(574)	0	(574)
New PDC received	8,736	0	0	0	0	8,736
<b>Balance at 31 March 2009</b>	175,896	14,720	34,525	3,717	722	229,580
<b>Changes in taxpayers' equity for 2009/10</b>						
<b>Balance at 1 April 2009</b>	175,896	14,720	34,525	3,717	722	229,580
Total Comprehensive Income for the year:						
Retained (deficit) for the year	0	(265)	0	0	0	(265)
Transfers between reserves	0	1,147	(1,077)	0	(70)	0
Impairments and reversals	0	0	(13,007)	(1,031)	0	(14,038)
Net gain on revaluation of property, plant, equipment	0	0	641	0	0	641
Receipt of donated assets	0	0	0	118	0	118
Reclassification adjustments:						
- transfers from donated asset reserve	0	0	0	(459)	0	(459)
New PDC received	720	0	0	0	0	720
PDC repaid in year	(7,864)	0	0	0	0	(7,864)
<b>Balance at 31 March 2010</b>	168,752	15,602	21,082	2,345	652	208,433

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 March 2010

	NOTE	2009/10 £000	2008/09 £000
<b>Cash flows from operating activities</b>			
Operating surplus		7,434	12,915
Depreciation and amortisation		17,557	16,384
Impairments and reversals		2,275	0
Transfer from donated asset reserve		(459)	(574)
Interest paid		(190)	(240)
Dividends paid		(7,406)	(8,776)
(Increase)/decrease in inventories		(582)	42
Decrease in trade and other receivables		5,213	296
(Decrease) in trade and other payables		(1,214)	(3,652)
Increase/(decrease) in provisions	24	74	(105)
<b>Net cash inflow from operating activities</b>		<b>22,702</b>	<b>16,290</b>
<b>Cash flows from investing activities</b>			
Interest received		31	460
(Payments) for property, plant and equipment	16	(22,199)	(29,538)
Proceeds from disposal of plant, property and equipment		7,486	0
<b>Net cash (outflow) from investing activities</b>		<b>(14,682)</b>	<b>(29,078)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>8,020</b>	<b>(12,788)</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		720	8,736
Public dividend capital repaid		(7,864)	0
Loans received from the DH		0	7,000
Loans repaid to the DH		(700)	(4,207)
Other capital receipts		0	38
Capital element of finance leases and PFI		(395)	(415)
<b>Net cash inflow/(outflow) from financing</b>		<b>(8,239)</b>	<b>11,152</b>
<b>Net (decrease) in cash</b>		<b>(219)</b>	<b>(1,636)</b>
<b>Cash at the beginning of the financial year</b>		<b>4,501</b>	<b>6,137</b>
<b>Cash at the end of the financial year</b>	20	<b>4,282</b>	<b>4,501</b>



## **NOTES TO THE ACCOUNTS**

### **1. Accounting Policies**

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2009/10 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### **1.1 Accounting convention**

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and inventories.

#### **1.2 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### **1.2.1 Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Judgment is required to assess whether or not there has been any impairment of assets over the period. In the case of land and buildings the advice of the District Valuer is sought, and for plant and equipment an internal impairment review is completed annually.

Similarly judgement must be exercised in the assessment of provisions necessary for the impairment of debtors, and for liabilities.

##### **1.2.2 Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

Depreciation of plant and equipment is charged so as to write down the value of those assets to their residual value over their respective lives. Management is required to assess the useful economic lives of assets at the date of acquisition.

Accruals for services received not yet invoiced are estimated on the basis of past experience.

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.3 Revenue**

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the Trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

**1.4 Employee Benefits**

**Short-term employee benefits**

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

**Retirement benefit costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.5 Other expenses**

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

**1.6 Property, plant and equipment**

**Recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
  - it is probable that future economic benefits will flow to, or service potential will be supplied to, the Trust;
  - it is expected to be used for more than one financial year;
  - the cost of the item can be measured reliably; and
  - the item has cost of at least £5,000; or
- 
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
  - Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

**Valuation**

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

Land and buildings used for the Trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. The Trust has applied these new valuation requirements from 31 March 2010.

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.6 Property, plant and equipment (continued)**

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

**Subsequent expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

**1.7 Depreciation, amortisation and impairments**

Freehold land, properties under construction, and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives

At each reporting period end, the Trust checks whether there is any indication that any of its non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.8 Donated assets**

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to offset the expenditure. On sale of donated assets, the net book value is transferred from the donated asset reserve to retained earnings.

**1.9 Leases**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

**The trust as lessee**

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the Trust's surplus/deficit.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated. Leased land is treated as an operating lease. Leased buildings are assessed as to whether they are operating or finance leases.

**The trust as lessor**

Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

**1.10 Inventories**

Inventories are valued at current cost. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

**1.11 Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management.

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.12 Provisions**

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

**1.13 Clinical negligence costs**

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 24.

**1.14 Non-clinical risk pooling**

The Trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the Trust pays an annual contribution to the NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses as and when they become due.

**1.15 Contingencies**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

**1.16 Financial assets**

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.17 Financial liabilities**

Financial liabilities are recognised on the statement of financial position when the Trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

**Other financial liabilities**

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

**1.18 Value Added Tax**

Most of the activities of the Trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

**1.19 Foreign currencies**

The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the Trust's surplus/deficit in the period in which they arise.

**1.20 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in Note 30 to the accounts.

**1.21 Public Dividend Capital (PDC) and PDC dividend**

Public dividend capital represents taxpayers' equity in the Trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. Prior to 2009/10 the PDC dividend was determined using forecast average relevant net assets and a note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year. From 1 April 2009, the dividend payable is based on the actual average relevant net assets for the year instead of forecast amounts.

**Notes to the Accounts - 1. Accounting Policies (Continued)**

**1.22 Losses and Special Payments**

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled.

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

**1.23 Accounting standards that have been issued but have not yet been adopted**

The following standards and interpretations have been adopted by the European Union but are not required to be followed until 2010/11. None of them are expected to impact upon the Trust financial statements.

IAS 27 (Revised) Consolidated and separate financial statements

Amendment to IAS 32 Financial instruments: Presentation on classification or rights issues

Amendment to IAS 39 Eligible hedged items

IFRS 3 (Revised) Business combinations

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 18 Transfer of assets from customers

**1.24 Accounting standards issued that have been adopted early**

The amendment to IFRS 8 Operating segments that was included in the April 2009 Improvements to IFRS has been adopted early. As a result, total assets are not reported by operating segment.

**1.25 Research and Development**

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.



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### 2. Operating segments

The Trust has no material operating segments other than healthcare.

	Healthcare	
	2009/10	2008/09
	£000	£000
Income	<u>376,990</u>	<u>372,868</u>
Surplus/(Deficit)		
Segment surplus/(deficit)	<u>(265)</u>	<u>4,332</u>
Net Assets:		
Segment net assets	<u>208,433</u>	<u>229,580</u>

**3. Income generation activities**

The Trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. None of the schemes incurred costs of more than £1 million.

<b>4. Revenue from patient care activities</b>	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Primary care trusts	<b>317,629</b>	308,700
Foundation trusts	<b>0</b>	26
Department of Health	<b>19</b>	11,347
Non-NHS:		
Ministry of Defence	<b>4,595</b>	3,725
Private patients	<b>3,204</b>	3,114
Overseas patients (non-reciprocal)	<b>35</b>	10
Injury costs recovery	<b>1,167</b>	2,049
Other	<b>400</b>	344
	<b>327,049</b>	<b>329,315</b>

Injury cost recovery income is subject to a provision for impairment of receivables of 7.8% to reflect expected rates of collection.

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<b>5. Other Operating Revenue</b>	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Patient transport services	18	17
Education, training and research	28,319	24,102
Charitable and other contributions to expenditure	479	428
Transfers from Donated Asset Reserve	459	574
Non-patient care services to other bodies	13,888	11,293
Income generation	5,570	6,047
Rental revenue	369	0
Other revenue	839	1,092
	<b>49,941</b>	<b>43,553</b>

## 6. Revenue

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

<b>7. Operating Expenses</b>	<b>2009/10</b>	2008/09
	<b>£000</b>	£000
Services from PCTs	2,491	3,613
Services from Foundation Trusts	8	0
Purchase of healthcare from non NHS bodies	97	630
Directors' costs	725	800
Other Employee Benefits	232,122	228,376
Supplies and services - clinical	69,588	66,985
Supplies and services - general	13,998	12,920
Consultancy services	1,389	1,393
Establishment	3,344	3,764
Transport	1,932	1,658
Premises	14,431	15,379
Provision for impairment of receivables	(13)	20
Inventories write offs	55	0
Depreciation	17,557	16,384
Impairments and reversals of property, plant and equipment	2,275	0
Audit fees	167	134
Other auditor's remuneration	48	56
Clinical negligence	5,365	2,948
Research and development	495	419
Education and Training	937	1,070
Other	2,545	3,404
	<b>369,556</b>	<b>359,953</b>

**8. Operating leases**

**8.1 As lessee**

Several items of medical equipment, and some buildings used for administrative functions, are held on operating leases.

<b>Payments recognised as an expense</b>	<b>2009/10 £000</b>	<b>2008/09 £000</b>
Minimum lease payments	3,433	4,484
Contingent rents	0	0
Sub-lease payments	0	0
	<b>3,433</b>	<b>4,484</b>
 <b>Total future minimum lease payments</b>	 <b>2009/10 £000</b>	 <b>2008/09 £000</b>
Payable:		
Not later than one year	3,237	468
Between one and five years	10,963	871
After 5 years	15,813	2,418
Total	<b>30,013</b>	<b>3,757</b>

**8.2 As lessor**

The Trust lets part of its estate to commercial organisations on operating leases.

<b>Rental Revenue</b>	<b>2009/10 £000</b>	<b>2008/09 £000</b>
Contingent rent	369	0
Other	0	0
<b>Total rental revenue</b>	<b>369</b>	<b>0</b>
 <b>Total future minimum lease payments</b>	 <b>2009/10 £000</b>	 <b>2008/09 £000</b>
Receivable:		
Not later than one year	369	0
Between one and five years	293	0
After 5 years	210	0
Total	<b>872</b>	<b>0</b>

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**9. Employee costs and numbers**

**9.1 Employee costs**

	Total	2009/10 Permanently Employed	Other	Total	2008/09 Permanently Employed	Other
	£000	£000	£000	£000	£000	£000
Salaries and wages	196,275	184,958	11,317	193,670	179,939	13,731
Social Security Costs	15,268	15,268	0	15,106	15,106	0
Employer contributions to NHS Pension scheme	21,444	21,444	0	20,454	20,454	0
Other pension costs	254	254	0	41	41	0
<b>Employee benefits expense</b>	<b>233,241</b>	<b>221,924</b>	<b>11,317</b>	<b>229,271</b>	<b>215,540</b>	<b>13,731</b>

**Of the total above:**

Charged to capital	452	151
Employee benefits charged to revenue	232,789	229,120
	<b>233,241</b>	<b>229,271</b>

**9.2 Average number of people employed**

	Total	2009/10 Permanently Employed	Other	Total	2008/09 Permanently Employed	Other
	Number	Number	Number	Number	Number	Number
Medical and dental	824	808	16	804	786	18
Administration and estates	1,325	1,279	46	1,244	1,188	56
Healthcare assistants and other support staff	324	308	16	408	372	36
Nursing, midwifery and health visiting staff	2,279	2,128	151	2,230	2,065	165
Scientific, therapeutic and technical staff	961	961	0	1,009	990	19
Other	4	4	0	2	2	0
<b>Total</b>	<b>5,717</b>	<b>5,488</b>	<b>229</b>	<b>5,697</b>	<b>5,403</b>	<b>294</b>

**Of the above:**

Number of staff (WTE) engaged on capital projects	10	3
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**9.3 Staff sickness absence**

	2009/10 Number
<b>Total days lost</b>	<b>55,526</b>
<b>Total staff years</b>	<b>5,278</b>
Average working days lost	10.52

These figures relate to the 2009 calendar year, rather than the financial year 2009/10.

**9.4 Management Costs**

	2009/10 £000	2008/09 £000
Management costs	13,248	12,816
Income	376,990	372,868

## **10. Pension costs**

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.pensions.nhsbsa.nhs.uk](http://www.pensions.nhsbsa.nhs.uk). The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

### **a) Full actuarial (funding) valuation**

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction to employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings. On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

### **b) Accounting valuation**

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the scheme actuary. At this point the assumptions regarding the composition of the scheme membership are updated to allow the scheme liability to be valued.

The valuation of the scheme liability as at 31 March 2010 is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2010 with summary global member and accounting data.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

### **c) Scheme provisions**

In 2008-09 the NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before the benefits can be obtained.

### **Annual Pensions**

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years' pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation."

## **10. Pension costs (continued)**

### **Pensions Indexation**

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year.

### **Lump Sum Allowance**

A lump sum is payable on retirement which is normally three times the annual pension payment.

### **III-Health Retirement**

Early payment of a pension, with enhancement in certain circumstances, is available to members of the Scheme who are permanently incapable of fulfilling their duties or regular employment effectively through illness or infirmity.

### **Death Benefits**

A death gratuity of twice their final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

### **Additional Voluntary Contributions (AVCs)**

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVCs run by the Scheme's approved providers or by Other Free Standing Additional Voluntary Contributions (FSAVC) providers.

### **Transfer between funds**

Scheme members have the option to transfer their pension between the NHS Pension Scheme and another scheme when they move into or out of NHS employment.

### **Preserved Benefits**

Where a Scheme Member ceases NHS employment with more than two years' service, they can preserve their accrued NHS pension for payment when they reach retirement age.

### **Compensation for Early Retirement**

Where a member of the Scheme is made redundant, they may be entitled to early receipt of their pension plus enhancement, at the employer's cost.

**11. Retirements due to ill-health**

During 2009/10 there were 6 (2008/09, 10) early retirements from the NHS Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £417,000 (2008/09: £493,000). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

**12. Better Payment Practice Code**

**12.1 Better Payment Practice Code - measure of compliance**

	2009/10		2008/09	
	Number	£000	Number	£000
Total Non-NHS trade invoices paid in the year	85,638	128,948	89,790	132,870
Total Non NHS trade invoices paid within target	73,530	108,425	81,577	116,111
Percentage of Non-NHS trade invoices paid within target	86%	84%	91%	87%
Total NHS trade invoices paid in the year	3,471	34,397	3,201	33,202
Total NHS trade invoices paid within target	3,027	25,755	2,683	26,833
Percentage of NHS trade invoices paid within target	87%	75%	84%	81%

The Better Payment Practice Code requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later.

**12.2 The Late Payment of Commercial Debts (Interest) Act 1998**

	2009/10 £000	2008/09 £000
Amounts included in finance costs from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
<b>Total</b>	<b>0</b>	<b>0</b>



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**13. Investment revenue** **2009/10**      2008/09  
**£000**              £000

Interest revenue:

Bank accounts	31	460
<b>Total</b>	<b>31</b>	<b>460</b>

**14. Other gains and losses** **2009/10**      2008/09  
**£000**              £000

Gain/(loss) on disposal of property, plant and equipment	(103)	0
Change in fair value of financial liabilities carried at fair value through profit and loss	0	(27)
<b>Total</b>	<b>(103)</b>	<b>(27)</b>

**15. Finance Costs** **2009/10**      2008/09  
**£000**              £000

Interest on loans and overdrafts	183	176
Interest on obligations under finance leases	38	64
<b>Total</b>	<b>221</b>	<b>240</b>

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**16. Property, plant and equipment**

	Land	Buildings excluding dwellings	Assets under construct and p.o.a	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
2009/10:	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	14,504	148,711	32,965	88,986	45	14,855	3,590	303,656
Additions purchased	0	0	22,208	0	0	0	0	22,208
Additions donated	0	0	0	32	91	0	0	123
Reclassifications	0	10,791	(28,176)	11,921	0	3,470	1,994	0
Disposals other than by sale	0	0	(7,464)	(8,327)	0	(290)	(34)	(16,115)
Revaluation/indexation gains	465	176	0	0	0	0	0	641
Impairments	(380)	(13,658)	0	0	0	0	0	(14,038)
<b>At 31 March 2010</b>	<b>14,589</b>	<b>146,020</b>	<b>19,533</b>	<b>92,612</b>	<b>136</b>	<b>18,035</b>	<b>5,550</b>	<b>296,475</b>
Depreciation at 1 April 2009	0	0	0	55,660	31	7,327	1,681	64,699
Disposals other than by sale	0	0	0	(8,202)	0	(290)	(34)	(8,526)
Impairments	0	2,275	0	0	0	0	0	2,275
Charged during the year	0	6,221	0	8,407	23	2,492	414	17,557
<b>Depreciation at 31 March 2010</b>	<b>0</b>	<b>8,496</b>	<b>0</b>	<b>55,865</b>	<b>54</b>	<b>9,529</b>	<b>2,061</b>	<b>76,005</b>
<b>Net book value</b>								
Purchased	14,589	136,346	19,533	35,901	1	8,463	3,292	218,125
Donated	0	1,178	0	846	81	43	197	2,345
<b>Total at 31 March 2010</b>	<b>14,589</b>	<b>137,524</b>	<b>19,533</b>	<b>36,747</b>	<b>82</b>	<b>8,506</b>	<b>3,489</b>	<b>220,470</b>
<b>Asset financing</b>								
Owned	14,589	137,524	19,533	36,456	82	8,506	3,489	220,179
Finance Leased	0	0	0	291	0	0	0	291
<b>Total 31 March 2010</b>	<b>14,589</b>	<b>137,524</b>	<b>19,533</b>	<b>36,747</b>	<b>82</b>	<b>8,506</b>	<b>3,489</b>	<b>220,470</b>

The District Valuer's valuation of the Trust's land and buildings as at 31 March 2010, on a Modern Equivalent Asset basis for the first time, resulted in an overall decrease of £15,672,000, of which £13,397,000 has been taken to the Revaluation Reserve and £2,275,000 to the Statement of Comprehensive Income.

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**16. Property, plant and equipment (continued)**

**Prior year:**

	Land	Buildings excluding dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
<b>2008/09:</b>	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2008	13,910	151,096	23,606	79,165	44	14,663	2,778	285,262
Additions purchased	0	0	34,502	0	0	0	0	34,502
Additions donated	0	0	0	38	0	0	0	38
Reclassifications	0	9,589	(25,824)	13,364	0	2,081	790	0
Reclassified as held for sale	0	0	0	(5,511)	0	(1,889)	(51)	(7,451)
Revaluation/indexation gains	594	6,997	681	1,930	1	0	73	10,276
Impairments	0	(12,395)	0	0	0	0	0	(12,395)
<b>At 31 March 2009</b>	<b>14,504</b>	<b>155,287</b>	<b>32,965</b>	<b>88,986</b>	<b>45</b>	<b>14,855</b>	<b>3,590</b>	<b>310,232</b>
Depreciation at 1 April 2008	0	0	0	51,984	27	6,985	1,462	60,458
Reclassified as held for sale	0	0	0	(5,511)	0	(1,889)	(51)	(7,451)
Revaluation/indexation gains	0	605	0	1,241	0	0	38	1,884
Charged during the year	0	5,971	0	7,946	4	2,231	232	16,384
<b>Depreciation at 31 March 2009</b>	<b>0</b>	<b>6,576</b>	<b>0</b>	<b>55,660</b>	<b>31</b>	<b>7,327</b>	<b>1,681</b>	<b>71,275</b>
<b>Net book value</b>								
Purchased	14,504	146,425	32,965	32,189	0	7,470	1,687	235,240
Donated	0	2,286	0	1,137	14	58	222	3,717
<b>Total at 31 March 2009</b>	<b>14,504</b>	<b>148,711</b>	<b>32,965</b>	<b>33,326</b>	<b>14</b>	<b>7,528</b>	<b>1,909</b>	<b>238,957</b>
<b>Asset financing</b>								
Owned	14,504	148,711	32,965	32,741	14	7,528	1,909	238,372
Finance Leased	0	0	0	585	0	0	0	585
<b>Total 31 March 2009</b>	<b>14,504</b>	<b>148,711</b>	<b>32,965</b>	<b>33,326</b>	<b>14</b>	<b>7,528</b>	<b>1,909</b>	<b>238,957</b>

**16. Property, plant and equipment (continued)**

<b>Economic Lives of Non-Current Assets</b>	<b>Min Life Years</b>	<b>Max Life Years</b>
Buildings exc Dwellings	40	99
Plant & Machinery	5	15
Transport Equipment	5	5
Information Technology	3	5
Furniture and Fittings	7	10

**17. Capital commitments**

Contracted capital commitments at 31 March not otherwise included in these financial statements:

	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>
Property, plant and equipment	<b>950</b>	<b>2,071</b>
<b>Total</b>	<b>950</b>	<b>2,071</b>

**18. Inventories**

<b>18.1. Inventories</b>	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>
Drugs	<b>1,621</b>	<b>1,761</b>
Consumables	<b>6,385</b>	<b>5,683</b>
Energy	<b>87</b>	<b>67</b>
<b>Total</b>	<b>8,093</b>	<b>7,511</b>

<b>18.2 Inventories recognised in expenses</b>	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>
Inventories recognised as an expense in the period	<b>60,396</b>	<b>55,852</b>
Write-down of inventories (including losses)	<b>55</b>	<b>0</b>
<b>Total</b>	<b>60,451</b>	<b>55,852</b>

**19. Trade and other receivables**

<b>19.1 Trade and other receivables</b>	<b>Current</b>		<b>Non-current</b>	
	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>
NHS receivables-revenue	<b>6,588</b>	12,507	<b>0</b>	0
Non-NHS receivables-revenue	<b>3,262</b>	3,251	<b>0</b>	0
Provision for the impairment of receivables	<b>(304)</b>	(296)	<b>(190)</b>	(225)
Accrued income	<b>2,348</b>	2,005	<b>0</b>	0
VAT	<b>335</b>	538	<b>0</b>	0
Other receivables	<b>3,303</b>	2,322	<b>2,437</b>	2,890
<b>Total</b>	<b>15,532</b>	<b>20,327</b>	<b>2,247</b>	<b>2,665</b>

The great majority of trade is with Primary Care Trusts, as commissioners for NHS patient care services. As Primary Care Trusts are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

**19.2 Receivables past their due date but not impaired**

	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
By up to three months		
By three to six months	<b>873</b>	758
By more than six months	<b>220</b>	80
<b>Total</b>	<b>13</b>	42
	<b>1,106</b>	<b>880</b>

**19.3 Provision for impairment of receivables**

	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	£000
<b>Balance at 1 April</b>	<b>(521)</b>	(788)
Amount written off during the year	<b>14</b>	287
(Increase)/decrease in receivables impaired	<b>13</b>	(20)
<b>Balance at 31 March</b>	<b>(494)</b>	(521)

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<b>20. Cash and cash equivalents</b>	<b>31 March 2010</b>	31 March 2009
	<b>£000</b>	<b>£000</b>
Balance at 1 April	4,501	6,137
Net change in year	(219)	(1,636)
<b>Balance at 31 March</b>	<b>4,282</b>	<b>4,501</b>
<b>Made up of</b>		
Cash with Office of HM Paymaster General	4,265	4,481
Commercial banks and cash in hand	17	20
<b>Cash and cash equivalents as in statement of cash flows</b>	<b>4,282</b>	<b>4,501</b>

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**21. Trade and other payables**

	Current	
	31 March 2010 £000	31 March 2009 £000
NHS payables-revenue	4,052	5,480
NHS payables-capital	426	0
Non NHS trade payables - revenue	5,467	6,699
Non NHS trade payables - capital	9,315	9,727
Accruals and deferred income	6,504	5,509
Social security costs	4,949	4,682
Other	2,989	2,805
<b>Total</b>	<b>33,702</b>	<b>34,902</b>

Other payables include £2,736,000 outstanding pension contributions (£2,606,000 at 31 March 2009.)

**22. Borrowings**

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Loans from:				
Department of Health	700	700	5,600	6,300
Finance lease liabilities	490	441	0	444
<b>Total</b>	<b>1,190</b>	<b>1,141</b>	<b>5,600</b>	<b>6,744</b>

The loan was taken out in March 2009 and is repayable over ten years. The interest rate is fixed at 2.69%.

### 23. Finance lease obligations

Three items of medical equipment are held on finance leases; all are nearing the end of the lease term.

Amounts payable under finance leases:	Minimum lease payments		Present value of minimum lease payments	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Within one year	490	479	490	441
Between one and five years	0	461	0	444
After five years	0	0	0	0
Less future finance charges	0	(55)		
Present value of minimum lease payments	490	885	490	885
Included in:				
Current borrowings			490	441
Non-current borrowings			0	444
			490	885



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**24. Provisions**

	Current		Non-current	
	31 March 2010 £000	31 March 2009 £000	31 March 2010 £000	31 March 2009 £000
Pensions relating to other staff	89	85	924	915
Legal claims	291	213	395	381
<b>Total</b>	<b>380</b>	<b>298</b>	<b>1,319</b>	<b>1,296</b>

	Pensions relating to other staff £000	Legal claims £000	Total £000
At 1 April 2008	1,021	651	1,672
Arising during the year	43	350	393
Used during the year	(86)	(339)	(425)
Reversed unused	0	(73)	(73)
Unwinding of discount	22	5	27
At 1 April 2009	1,000	594	1,594
Arising during the year	81	244	325
Used during the year	(90)	(141)	(231)
Reversed unused	0	(20)	(20)
Unwinding of discount	22	9	31
At 31 March 2010	<b>1,013</b>	<b>686</b>	<b>1,699</b>

**Expected timing of cash flows:**

In the remainder of the spending review period to 31 March 2011	89	291	380
Between 1 April 2011 and 31 March 2016	416	11	427
Between 1 April 2016 and 31 March 2021	336	10	346
Thereafter	172	374	546

Pensions relating to other staff represents payments made to NHS Pensions in respect of staff who retired early before 1995. The provision has been calculated using current life expectancy tables and a discount rate of 2.2%

£45,368,000 is included in the provisions of the NHS Litigation Authority at 31/3/2010 in respect of clinical negligence liabilities of the Trust (31/03/09 £35,096,000).

25. Contingencies

25.1 Contingent liabilities	2009/10 £000	2008/09 £000
Personal injury cases	(129)	(115)
<b>Total</b>	<b>(129)</b>	<b>(115)</b>

26. Financial Instruments

26.1 Financial assets	Loans and receivables	Total
	£000	£000
Receivables	2,665	2,665
Cash at bank and in hand	4,501	4,501
<b>Total at 31 March 2009</b>	<b>7,166</b>	<b>7,166</b>
Receivables	1,861	1,861
Cash at bank and in hand	4,282	4,282
<b>Total at 31 March 2010</b>	<b>6,143</b>	<b>6,143</b>

26.2 Financial liabilities	Other	Total
	£000	£000
Other borrowings	7,885	7,885
<b>Total at 31 March 2009</b>	<b>7,885</b>	<b>7,885</b>
Other borrowings	6,790	6,790
<b>Total at 31 March 2010</b>	<b>6,790</b>	<b>6,790</b>

### **26.3 Financial risk management**

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the Trust has with primary care trusts and the way those primary care trusts are financed, the Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Trust's standing financial instructions and policies agreed by the board of directors. Trust treasury activity is subject to review by the Trust's internal auditors.

#### **Currency risk**

The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Trust has no overseas operations. The Trust therefore has low exposure to currency rate fluctuations.

#### **Interest rate risk**

The Trust borrows from government for capital expenditure, subject to affordability as confirmed by the strategic health authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The Trust therefore has low exposure to interest rate fluctuations.

#### **Credit risk**

Because the majority of the Trust's income comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2010 are in receivables from customers, as disclosed in the trade and other receivables note.

#### **Liquidity risk**

The Trust's operating costs are incurred under contracts with primary care trusts, which are financed from resources voted annually by Parliament. The Trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The Trust is not, therefore, exposed to significant liquidity risks.

### **27. Events after the reporting period**

In the opinion of the directors, there were no events after the reported period having a material effect on the accounts.

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### 28. Financial performance targets

The figures given for periods prior to 2009/10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

#### 28.1 Breakeven Performance

	2005/06 £000	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000
Turnover	291,403	315,873	346,457	372,868	376,990
Retained surplus/(deficit) for the year	(1,932)	2,347	12,698	5,023	(265)
Adjustment for:					
Timing/non-cash impacting distortions:					
2007/08 PPA (relating to 1997/98 to 2006/07)	0	(1,114)			2,275
Adjustments for Impairments				0	
Other agreed adjustments	5,317	1,932	0	0	0
Break-even in-year position	3,385	3,165	12,698	5,023	2,010
Break-even cumulative position	(10,840)	(7,675)	5,023	10,046	12,056
	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Materiality test (I.e. is it equal to or less than 0.5%):					
Break-even in-year position as a percentage of turnover	1%	1%	4%	1%	1%
Break-even cumulative position as a percentage of turnover	-4%	-2%	1%	3%	3%

The amounts in the above tables in respect of financial years 2005/06 to 2008/09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

Detailed information on impairments is given at Note 16.

## 28.2 Capital cost absorption rate

For 2008/09 the Trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate was calculated as the percentage that dividends paid on public dividend capital, totalling £8,776,000 in 2008/09, bore to the actual average relevant net assets of £218,137,000 in that year, that is 4.0%.

From 2009/10 the dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

## 28.3 External financing

The Trust is given an external financing limit which it is permitted to undershoot.

	£000	2009/10 £000	2008/09 £000
External financing limit		(7,620)	13,191
Cash flow financing	(8,020)		13,203
Other capital receipts	0		(38)
External financing requirement		(8,020)	13,165
<b>Undershoot</b>		<b>400</b>	<b>26</b>

## 28.4 Capital Resource Limit

The Trust is given a capital resource limit which it is not permitted to exceed.

	2009/10 £000	2008/09 £000
Gross capital expenditure	22,331	34,540
Less: book value of assets disposed of	(7,589)	0
Plus: loss on disposal of donated assets	5	0
Less: donations towards the acquisition of non-current assets	(123)	(38)
Charge against the capital resource limit	14,624	34,502
Capital resource limit	15,402	34,545
<b>Underspend against the capital resource limit</b>	<b>778</b>	<b>43</b>

## **29. Related party transactions**

Plymouth Hospitals NHS Trust is a body corporate established by order of the Secretary of State for Health.

The Department of Health is regarded as a related party. During the year the Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

Plymouth teaching Primary Care Trust  
Devon Primary Care Trust  
Cornwall and Isles of Scilly Primary Care Trust  
Bristol Primary Care Trust  
South West Strategic Health Authority  
NHS Litigation Authority  
NHS Purchasing and Supply Agency  
NHS Business Services Authority  
NHS Professionals  
NHS Pension Scheme  
Other primary care trusts  
Other NHS trusts  
Other Foundation Trusts  
HM Revenue & Customs  
Ministry of Defence

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with the Department of Health.

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the Trustees for which are also members of the NHS Trust Board. The accounts of the Plymouth Hospitals Funds Held on Trust, for which Plymouth Hospitals NHS Trust is the corporate trustee, are available from the Director of Finance, Derriford Hospital, Plymouth.

**30. Third Party Assets**

The Trust held less than £1,000 cash and cash equivalents at 31 March 2010 (and a similarly small amount at 31 March 2009) which relates to monies held by the Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

**31. Intra-Government and Other Balances**

	<b>Current receivables £000</b>	<b>Non-current receivables £000</b>	<b>Current payables £000</b>
Balances with other Central Government Bodies	6,523	0	13,039
Balances with NHS Trusts and Foundation Trusts	1,048	0	765
Balances with Public Corporations and Trading Funds	7	0	940
Intra Government balances	7,578	0	14,744
Balances with bodies external to Government	7,954	2,247	18,958
<b>At 31 March 2010</b>	<b>15,532</b>	<b>2,247</b>	<b>33,702</b>
Balances with other Central Government Bodies	12,734	0	11,456
Balances with Local Authorities	0	0	1
Balances with NHS Trusts and Foundation Trusts	1,199	0	717
Balances with Public Corporations and Trading Funds	3	0	1,262
Intra Government balances	13,936	0	13,436
Balances with bodies external to Government	6,391	2,665	21,466
<b>At 31 March 2009</b>	<b>20,327</b>	<b>2,665</b>	<b>34,902</b>

**32. Losses and Special Payments**

There were 162 cases of losses and special payments (2008/09: 193 cases) totalling £271,000 (2008/09: £758,000) accrued during 2009/10.

33. Transition to IFRS

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000
<b>Taxpayers' equity at 31 March 2009 under UK GAAP:</b>	<b>175,896</b>	<b>17,101</b>	<b>34,482</b>	<b>3,717</b>
Adjustments for IFRS changes:				
Leases		-343	43	
Untaken holiday accrual		-2,038		
<b>Taxpayers' equity at 1 April 2009 under IFRS:</b>	<b>175,896</b>	<b>14,720</b>	<b>34,525</b>	<b>3,717</b>
	£000			
<b>Surplus for 2008/09 under UK GAAP</b>	<b>5,023</b>			
Adjustments for:				
Leases	122			
Untaken holiday accrual	-813			
<b>Surplus for 2008/09 under IFRS</b>	<b>4,332</b>			